

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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September 28, 2001

Mr. Tim Durden, Controller  
Kershaw County Memorial Hospital  
Box 7000  
Camden, South Carolina 29020-7000

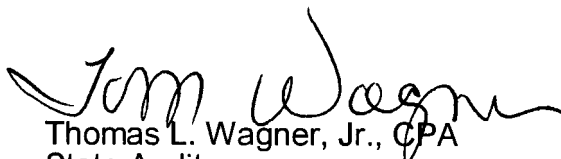
Re: AC# 3-ASK-J6 – Kershaw County Medical Center d/b/a A. Sam Karesh  
Long Term Care Nursing Facility

Dear Mr. Durden:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph Hayes

**KERSHAW COUNTY MEDICAL CENTER D/B/A  
A. SAM KARESH LONG TERM CARE NURSING FACILITY  
CAMDEN, SOUTH CAROLINA**

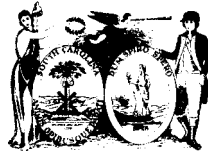
**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1997  
AC# 3-ASK-J6**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 24, 2001

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Kershaw County Medical Center d/b/a A. Sam Karesh Long Term Care Nursing Facility, for the contract periods beginning October 1, 1997, and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

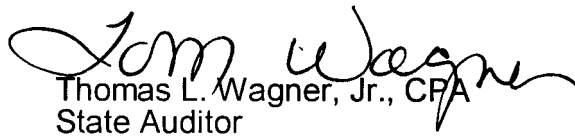
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Kershaw County Medical Center d/b/a A. Sam Karesh Long Term Care Nursing Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Kershaw County Medical Center d/b/a A. Sam Karesh Long Term Care Nursing Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
September 24, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**KERSHAW COUNTY MEDICAL CENTER D/B/A  
A. SAM KARESH LONG TERM CARE NURSING FACILITY**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1997  
AC# 3-ASK-J6

	10/01/97- <u>09/30/98</u>
Interim reimbursement rate (1)	\$88.77
Adjusted reimbursement rate	<u>86.00</u> (2)
Decrease in reimbursement rate	\$ <u>2.77</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

(2) As provided under Article IV, Section E of the Provider's contract dated as of October 1, 1994 as amended, "The Provider agrees that the rate charged to SCDHHS for service to an eligible Medicaid recipient under this contract will not be greater than that charged to a similar service to a private pay patient." Accordingly, the reimbursement rate is limited to the customary charges to private pay clients.

**KERSHAW COUNTY MEDICAL CENTER D/B/A  
A. SAM KARESH LONG TERM CARE NURSING FACILITY**

Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1997 Through September 30, 1998  
AC# 3-ASK-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$50.52	\$44.95	
Dietary		12.28	9.74	
Laundry/Housekeeping/Maint.		<u>11.99</u>	<u>7.72</u>	
Subtotal	\$ <u>-</u>	74.79	62.41	\$62.41
Administration & Med. Rec.	\$ <u>-</u>	<u>13.34</u>	<u>9.45</u>	<u>9.45</u>
Subtotal		88.13	<u>\$71.86</u>	71.86
<u>Costs Not Subject to Standards:</u>				
Utilities		3.96		3.96
Special Services		-		-
Medical Supplies & Oxygen		1.50		1.50
Taxes and Insurance		.16		.16
Legal Fees		<u>.03</u>		<u>.03</u>
<b>TOTAL</b>		<u>\$93.78</u>		77.51
Inflation Factor (4.40%)				3.41
Cost of Capital				12.20
Cost of Capital Limitation				(3.70)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$89.92</u>

**KERSHAW COUNTY MEDICAL CENTER D/B/A**  
**A. SAM KARESH LONG TERM CARE NURSING FACILITY**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1996  
 AC# 3-ASK-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,581,891	\$ 27,074 (1)	\$ -	\$1,608,965
Dietary	400,131	-	8,911 (1)	391,220
Laundry	71,672	-	3,102 (1)	68,570
Housekeeping	140,933	-	7,659 (1)	133,274
Maintenance	183,491	-	3,449 (1)	180,042
Administration & Medical Records	439,199	-	14,462 (1)	424,737
Utilities	94,132	31,851 (1)	-	125,983
Special Services	-	-	-	-
Medical Supplies & Oxygen	47,446	309 (1)	-	47,755
Taxes & Insurance	3,043	1,941 (1)	-	4,984
Legal Fees	-	991 (1)	-	991
Cost of Capital	<u>360,964</u>	<u>140,426</u> (2)	<u>112,747</u> (1)	<u>388,643</u>
Subtotal	3,322,902	202,592	150,330	3,375,164



**KERSHAW COUNTY MEDICAL CENTER D/B/A  
A. SAM KARESH LONG TERM CARE NURSING FACILITY**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-ASK-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	-	19,215 (1)	-	19,215
Non-Allowable	95,323	-	43,826 (1)	(88,929)
	<u>                    </u>	<u>                    </u>	<u>140,426 (2)</u>	<u>                    </u>
Total Operating Expenses	<u>\$3,418,225</u>	<u>\$221,807</u>	<u>\$334,582</u>	<u>\$3,305,450</u>
Total Patient Days	<u>31,769</u>	<u>81 (3)</u>	<u>-</u>	<u>31,850</u>
TOTAL BEDS	<u>88</u>			

**KERSHAW COUNTY MEDICAL CENTER D/B/A  
A. SAM KARESH LONG TERM CARE NURSING FACILITY**  
Adjustment Report  
Cost Report Period Ended September 30, 1996  
AC# 3-ASK-J6

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	General Services	\$ 27,074	
	Utilities	31,851	
	Medical Supplies	309	
	Taxes and Insurance	1,941	
	Legal	991	
	Ancillary	19,215	
	Other Equity	112,775	
	Dietary		\$ 8,911
	Laundry		3,102
	Housekeeping		7,659
	Maintenance		3,449
	Administration		14,462
	Cost of Capital		112,747
	Nonallowable		43,826
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	140,426	
	Nonallowable		140,426
	To adjust capital return State Plan, Attachment 4.19D		
3	<u>Memo Adjustment:</u> To increase total patient days by 81 from 31,769 to 31,850 days HIM-15-1, Section 2300		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$334,582	\$334,582

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**KERSHAW COUNTY MEDICAL CENTER D/B/A  
A. SAM KARESH LONG TERM CARE NURSING FACILITY**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1996  
AC# 3-ASK-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>88</u>
Deemed Asset Value	2,905,936
Improvements Since 1981	1,045,779
Accumulated Depreciation at 9/30/96	<u>(1,418,757)</u>
Deemed Depreciated Value	2,532,958
Market Rate of Return	<u>.070</u>
Total Annual Return	177,307
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	177,307
Depreciation Expense	248,216
Amortization Expense	-
Capital Related Income Offsets	(36,880)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	388,643
Total Patient Days (Actual Days)	<u>31,850</u>
Cost of Capital Per Diem	\$ <u><u>12.20</u></u>

**KERSHAW COUNTY MEDICAL CENTER D/B/A**  
**A. SAM KARESH LONG TERM CARE NURSING FACILITY**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1996  
AC# 3-ASK-J6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 4.51
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>8.50</u>
Reimbursable Cost of Capital Per Diem	\$ 8.50
Cost of Capital Per Diem	<u>12.20</u>
Cost of Capital Per Diem Limitation	\$ <u>(3.70)</u>

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